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R E M A R K S

UPON

USURY AND ITS EFFECTS:

A

NATIONAL BANK A REMEDY;

IN

A LETTER, &c.

BY WHITEHOOKE, *revised by*

Edmund J. Kellogg,

NEW-YORK:

PRINTED BY HARPER & BROTHERS.

1841.

KD 62488



U S U R Y, & c.

"I hate him * * * *
* * More, for that, in low simplicity,
He lends out money gratis, and brings down
The rate of usance here with us in Venice."
Shylock.

To A. B., Esq.

MY DEAR SIR,

FOR more than thirty years we have both been engaged in active mercantile pursuits. We have together watched the fluctuations of trade : the alternations of abundance and scarcity of money ; the changes from steady confidence and sound credit to universal distrust ; the revolutions from even, moderate, and nearly uniform exchanges to uncertain, varying, and oftentimes ruinous charges or rates for collection and remittance.

At our last interview, I expressed my firm conviction that usury, taken openly or under disguise, either by direct charge or under the name of commissions, exchange, or other device, was the real cause of most of the pecuniary distress under which the business of this country has laboured and languished for the last six years ; and that our banking institutions are the instruments, and often the active co-operators, in producing the embarrassments they

are intended to prevent, and often profess to relieve. The importance of the subject, to a community that has for many years suffered, and still suffers, under a derangement of her whole monetary system, and the absolute necessity of devising, if possible, some mode of rendering effectual and permanent relief, have induced me to yield to your solicitation, and attempt a plain and practical exposition of the views I have heretofore verbally expressed. And though well aware that it is easier to discover faults in a system than to improve it, I hope to be able to suggest a remedy for the evils of which I have spoken.

The opinions I entertain are by no means in accordance with the popular notions of the day, and probably not with the sentiments of many to whose opinions on other subjects I would cheerfully defer; but they are the results of observation and experience, and, as such, may claim some consideration. I am no logician, and if my argument should want system or my facts and illustrations be ill arranged, your own clear and ready apprehension will comprehend their importance, notwithstanding the obscurities that may cloud the effort of a plain man and unpractised writer.

Lest your prejudices in favour of our banking institutions, and of fostering and sustaining a credit system, should dispose you unfavourably to attend

to what I have to say, allow me to state preliminarily that I make war upon neither. On the contrary, I insist that a system of credits—individual credit, state credit, credit at home and credit abroad—is not only desirable, but indispensable, and that legitimate banking is not less necessary to our prosperity; by which I mean, banking honestly conducted, upon the principles and to secure the object avowed when the chartered privilege is asked, and for which the grant is made.

And, notwithstanding the attacks constantly made in our political contests upon banks and banking, the importance of such institutions, properly regulated, and the convenience of a paper currency, always redeemable in specie, has been heretofore, and is now, so fully recognised by the policy of every state in this country from its earliest legislation, that it would be aside from my present purpose to discuss this policy. I only propose to consider the evils that have resulted from mismanagement, and, if possible, suggest a remedy that shall tend to protect the community against those great fluctuations in our monetary affairs which have frequently occurred, to the great injury of the business and enterprise of our citizens, and to the benefit of a few capitalists and dealers in money, who profit by such derangement, and are always ready to aid in

producing it, that they may derive a large and_ usurious interest for the use of their money.

In this place I wish also to notice one suggestion often made for the purpose of explaining the embarrassment of the times upon which we have fallen. It is, that over trading and extravagance are the cause ; that we have imported too much ; that credit was too easily obtained, property estimated too highly ; that the rage for speculation was thereby begotten, and imprudence and extravagance of every description ensued, and, by necessary consequence, a revulsion followed which spread ruin far and near. This is true in part, but only in part. This country, during the years immediately preceding our severest pressure, did not import more, in proportion to our inhabitants, than had been imported in many former years, when all kinds of business prospered. Hundreds and thousands of our men of business were no more extended in 1837 than they had been, in proportion to the amount of cash capital, for twenty years preceding, when they felt no inconvenience in meeting their engagements. And I mention, by way of example, one firm, which, after a prosperous business of fifteen years, with a clear surplus capital of more than \$100,000, and not so much extended as during many of the preceding years, was entirely ruined in one year, while heir mode of doing business remained precisely

the same, their operations governed by the same prudence, and the amount of their liabilities was, in proportion to their assets, actually less than it had previously been ; and this without any fictitious estimate of the value of their property begotten by over credit. And hundreds are now in poverty who had actually accumulated large fortunes by the earnings of fifteen or twenty years, and without any more imprudence than during the twenty years of their prosperity.

But, as I have said, the suggestion *is true in part*. Speculation has had its influence ; false credit has co-operated, and extravagance has aggravated the evils. But these *alone* are inadequate to produce the result ; and, without the aid of the very evil which it is my purpose to explain, they never could exist to any such extent as to produce any long-continued embarrassment in any country. If I do not altogether fail in the object I have in view, you will see, in what I have to say on the subject, that there is another entirely adequate cause not only co-operating with these, but actually and as truly controlling all speculation, false credit, and extravagance, as it does the employment of capital in a safe and prudent business.

It is money, or, more truly, it is the price of the use of money, in the hands of our money-lenders and in our banks, that controls *all* business. And

whether it is to be employed in "regular business" or in speculation, or otherwise, it is change, fluctuation, expansion, and curtailment ; great facilities for obtaining credit to-day and none to-morrow, which at one moment encourage enterprise, foster industry, and prompt to speculation, and at the next cramp all our energies, compel ruinous sacrifices, embarrass and impoverish the prudent and industrious, and ruin the speculator. This it is that has produced our misfortunes, and this it is that has continued and will perpetuate them. And this is the usurers' work (banks or individuals, be they which they may); the work is theirs, and upon them be the curse.

To turn, then, to my proposed argument.

I. My first proposition was, that the paying and receiving of usury in some form is the real cause of the pecuniary embarrassments of which we have so long complained. I here define what I mean by the taking of *usury*. It is the taking for the use of money more than the use of money is worth. Now, whether this be done under the name of interest, or exchange, or commissions, or other device, is wholly immaterial ; in every form the consequences to the individual and to the public are the same ; the loss to the borrower and the profit to the lender are in each form the same.

It has been said that the use of money is worth

what *it will bring*. This I deny. This is only the lender's doctrine. As to him, it is true that, if he can obtain two per cent. a day for the use of his capital, the use of that capital is to him, for the purpose of making the loan, worth two per cent. a day. But to the borrower the use of money is never worth more than the nett profits of its employment. Exigencies and embarrassments may compel the borrower to submit to an exaction far exceeding these profits. Out of the accumulated earnings of years of patient industry he may consent to give the one half of all he possesses to save the other half, but this is no test of the proper value of the loan he seeks. As well might it be said that the plank for which the drowning man would gladly pay the half, nay, all his fortune, is worth the price he offers. His life is worth more than his fortune, but the plank is but a piece of timber still.

This is not only true of the individual borrower, but is even more obviously true when the use of money in the community at large is considered. Indeed, it is by making the inquiry in this more comprehensive view of the subject that the real worth or value of the use of money can be learned. Wealth is increased by production, and by production alone. Money changing adds nothing; without labour there can be no production; labour is

vain without the means of applying it. Whatever, then, in any community, is found to be the actual profit upon the employment of capital in producing, that, and that only, is the real worth or value of the use of money. And this is easily ascertained; a series of years will in any country determine this profit; take the average of ten, twenty, or, if you please, fifty years, and whether the result be five, six, or seven per cent. profit (for I will not stop to fix the rate) per annum, some rate greater or less will be found to determine what this value is. And I confidently assert that, if there be any instances in which the use of money is in any proper sense *worth* to the borrower more than this rate per cent., they are but individual exceptions, and very rare exceptions, to an otherwise universal rule. While, on the other hand, there are many whom accident, misfortune, or oppression has driven to the alternative of making what they deem the lesser sacrifice to avoid a greater loss; from whom the lender wrings the utmost farthing necessity will offer, and argues thence, "My money is worth what it will bring."

For example, a really wealthy merchant, disappointed in receiving an expected remittance, with ample securities in his possession, found himself at two o'clock in want of five thousand dollars. Too late to borrow the money at the fair value of its use

where his known wealth and ready securities might have availed, he called upon a broker; his necessities he in honest candour revealed. He was received with great courtesy, but it is "late in the day;" the broker's "bank account is made up;" "nothing over;" "possibly the money can be procured," and similar suggestions, called out from him offers of large reward for assistance. He held in his hand, in undoubted securities, \$10,000. For these he must have money; and, without attempting to give you a farther detail of the mockery of excuses and pretences by which he was robbed, suffice it to say, the broker received the securities, the merchant received the \$5000, and a few days afterward a farther small balance; and within a week afterward the broker, without difficulty, obtained a discount of the same paper without recourse to himself, and his clear profits on the transaction were more than \$3000. And this he calls getting for the use of his money what it is worth, i. e., what it will bring.

In this country especially, nearly all the actual capital is invested, or so employed in business as not to be immediately convertible. In any community the amount of floating capital is comparatively very small, and with us this is true to a greater extent than probably in any other. For the

time being the community require and must have the same amount of money for the various purposes of business, whether it cost six per cent. per annum or three per cent. a month. The holders of this floating capital are comparatively few, and they are the lenders. At any one point where business concentrates the proportion is very small. The interest of all the lenders is the same. Nothing, then, is easier than, by temporarily withholding this floating capital from those whose enterprise and business require the use of their own capital and credit also, to produce an apparent scarcity of money. Any indication of this is always followed by alarm and suspicion, and then the usurer's profit commences; a profit, not that which can be made to result from the employment of the money he lends, but a profit based upon the necessities of others which he himself has produced. And as surely as this can be done upon a small scale in any one place, so surely can the same result be effected by concert among the few throughout the whole country; a concert which it requires no actual consultation or agreement to produce, but which invariably results from like interests prompting to like conduct under like circumstances. If illustration of this point be desired, estimate the amount of real estate, manufacturing establishments, produce, and mer-

chandise in any one city or town in this country, and compare it with the amount of money actually used for the purposes of business—or extend the comparison to the United States. The whole amount of real estate and other property in the State of New-York alone, at the assessed value, is over six hundred and fifty millions, while the amount of money with which the business of this state is carried on is less than thirty-five millions, including gold and silver and the whole circulating medium, whether specie, bank bills, or deposits.

If the same comparison be made between the amount of money and the amount of the business operations, by which all other capital is made productive (which is not less than three thousand millions, and probably much more), the proportion will be found not greater than one dollar in money for \$85 to be borrowed, lent, paid, or employed.

Thus, there are among the merchants of the City of New-York one hundred whose aggregate amount of business carried on will exceed forty millions of dollars. These, therefore, alone require for their receipts and payments the whole circulating medium of the State of New-York, which must pass through their hands in some form in the course of the year. However wealthy they may be, whatever capital they may have, they *must* have this

amount for the purpose of circulation, and, if not, they will inevitably suspend.

But, to make the case more clear, the whole population of this state is about 2,400,000. The consumption of food and clothing alone is not less than \$60 for each individual, i. e., \$144,000,000, all luxuries included. Now, in producing, sending to market, selling to the merchant, to the manufacturer, the process of manufacturing, the return again to the merchant, and sale by him to the retailer, and by him to the consumer, we may safely say this amount of \$60 in food and clothing is bought and sold at least four times; and, if so, the whole requires a circulation in some form amounting to \$576,000,000 to supply food and clothing alone. Now, add the probable amount required for the other necessities, and for branches of trade not appertaining to the supply of mere necessities of life; that is, purchase and sale of stocks, traffic in other personal property, purchases and sales of lands, the building of houses, manufacture of furniture, ship-building, construction of railroads, canals, and other internal improvements, purchasing stock for our farms and supplying all the implements of husbandry and manufacture, and money loaned on bond and mortgage and otherwise, the gross amount of all which will almost defy computation. It is quite

sufficient for my present purpose (though far short of the actual amount) to say it is five times the amount required for the supply of food and clothing above named ; and even upon this low supposition the whole amount of payments and receipts in the State of New-York in one year will exceed \$3,000,000,000. Now, as I have already suggested, this sum is paid and received in the circulating medium, made up of gold and silver, bank notes, and deposits in bank, which latter become (in our cities especially) a part of the circulating medium by being the basis of bank checks constantly passed from hand to hand in making collections and payments.

By referring to the table which I annex, showing the bank-note circulation and deposits in bank in this state from 1st of January, 1835, to 1st of January, 1841, inclusive, it will be seen that the average of bank-note and bank-check circulation in this state is \$34,000,000 in each year. The specie *circulation* is not, I think, in this state, more than \$500,000 ; but say, for our present purpose, it may be \$1,000,000 in actual circulation, and we have then a circulating medium of \$35,000,000 with which, and with which alone, to make payments to the amount of three thousand millions. It is impossible, from the nature of the subject, to attain certain-

ty in a calculation of this kind, but these suggestions are sufficient to show that the payments actually made in any one year are at least 85 times the amount of the whole circulating medium of the state. So small a proportion is made to answer these purposes by the rapidity with which it circulates, and by means of the credit necessary till the circulation is completed, the profits of labour and business realized, and the balances adjusted. Now, suppose the holders of this one dollar, or $\frac{1}{85}$ th part of the amount of business carried on, temporarily withholds it from its accustomed channels. All others, no matter to what business they are devoted, or how much capital they have invested, or how great their actual wealth, must resort to extraordinary means to procure the required amount of money, to pay or employ, as their engagements render necessary. If one capitalist withholds his funds, another demands an enhanced premium for his money, which borrowers and debtors *must* pay. He in turn withholds, and the first raises the premium still higher. Alarm and embarrassment result, and, without expansion in business, without the slightest extension of credit beyond what has heretofore existed, without the removal of a dollar from the town, city, or country, the rate of interest is raised from 6 or 7 per cent. per annum to 1, 2, 3, or 5 per cent. per month, at the pleasure of

those who hold the money for the purpose of lending, and whose common interest binds to concert in action to produce the result ; and as often as the business adapts itself to this new state of things, so often, by a similar movement, another like state of embarrassment is produced.

The usurers often say, in vindication of their exorbitant exactions, that their risk is great, and they should therefore be paid a premium proportionably greater ; in other words, besides interest on the loan, they should be paid for the risk. I answer, first, if the risk were greater, they have themselves produced the state of things by which they now seek to justify the extortion, and for the very purpose of making a profit thereby out of the necessitous.

And, secondly, the fact is not so. The usurers not only require exorbitant interest, but they require and actually receive better security than any other business men. The merchant sells goods, the mechanic and manufacturer give their labour and sell their wares and manufactures, and the farmer sells his produce, and all receive the notes of their customers. Now, suppose the merchant, mechanic, or farmer is driven to the usurer for a loan ; will he discount the notes received in *their* usual business ? No ; he must have the *best* of paper, well endorsed, and oftentimes requires an hypothecation of these

same business notes, or other securities of two or three times the amount loaned ; and in my experience I have found that the usurers have lost less than any other class of men who have had their capital employed in business transactions.

An instance mentioned to me by a man of undoubted veracity will illustrate what I have stated.

The sufferer was a coal-dealer. He had purchased in Philadelphia seven cargoes of coal at about \$800 each cargo, amounting to \$5600. For this sum he was drawn upon at short sight. Most unfortunately, head-winds and storms prevailed, so that at the end of three weeks not one cargo had arrived in New-York ; and, though he had ready means provided to the amount of more than \$4500, in this unexpected exigency he wanted about \$1000 to pay the last draft. His correspondent in Philadelphia wrote him that the draft had been discounted in bank, and, notwithstanding the disappointment, chargeable to the winds and the waves, and not to any want of prudence, no delay or extension could be had. The money must be had, or his name would be dishonoured. He was driven to Wall-street to raise the money. There he was compelled to give his note for \$1000 with interest, and receive therefor \$1000 in "red-back" money, which, by agreement, he was to sell to the broker

who made the loan at six per cent. discount, i. e., for \$940, and to pledge, as collateral security, the seven cargoes of coal, by assigning the bills of lading and policies of insurance, and farther to pay such interest *as would be right*.

On the arrival of two cargoes of coal, the broker, with great show of kindness, gave him an order to receive them, retaining the remaining five until the payment of the note. He sold the two cargoes for about \$1600, and with the proceeds called to pay his note and release the residue of his coal. The note had run just ten days, and the broker charged him two per cent. a day upon the face of the note, \$1000; and to release the residue of the coal he was therefore compelled to pay \$1200, i. e., for the use of \$940 for ten days he was compelled to pay \$260: and certainly the security in this case was ample. Now, consider for a moment what \$940 would amount to in one year at the rate the coal-dealer was required to pay through this extortion, supposing the loan and interest returned, as in this case, at the end of every ten days. The first loan of \$940 in ten days amounted to \$1200. Now, lend the amount of \$1200 for ten days at the same rate, and it amounts to \$1531 80. Lend this amount of \$1531 80 for *eight and a half* days at the same rate, and it amounts to over \$1880. That is to

say, the principal, \$940, will be doubled in twenty-eight and a half days, and the \$1880 loaned in like manner, in twenty-eight and a half days amounts to \$3760. The amounts may then be stated thus : \$940 in twenty-eight and a half days amounts to \$1880; in fifty-seven days, \$3760; in eighty-five and a half days, \$7520; in one hundred and fourteen days, \$15,040; in one hundred forty-two and a half days, \$30,080; in one hundred and seventy-one days, \$60,160; in one hundred ninety-nine and a half days, \$120,320; in two hundred and twenty-eight days, \$240,640; in two hundred fifty-six and a half days, \$481,280; in two hundred and eighty-five days, \$962,560; in three hundred thirteen and a half days, \$1,925,120; in three hundred and forty-two days, \$3,850,240; in three hundred and sixty-five days, \$6,697,369. That is to say, in one year \$940, loaned at the rate exacted of the coal-dealer, amounts to more than six and one half millions of dollars. This would seem a large interest for the borrower to pay, and yet, when the coal-dealer called to pay his note and asked the broker to take less, his reply was that he could not afford it; that he could have done a great deal *better* with his money; that he only lent it to accommodate him.

Suppose, now, this broker could have left these

securities with a bank for a temporary loan until the arrival of the coal, what would be his profits ? Thus : he buys from the bank the use of \$940 for ten days for one dollar and fifty-seven cents, and sells its use to the coal-dealer for \$260, which is more than one hundred and sixty-five and a half times as much as he gives, and is equal to buying a barrel of flour for one dollar and fifty-seven cents, and selling it again in the same market the same day for \$260. Neither party buys the money ; they only rent it, or buy its use for a certain period, as any other property is rented, to be returned to its owner at a future day, and the use of the property only to be paid for.

It will be said that this is an extreme case. If so, extreme cases are numerous, as the experience of almost all borrowers will prove. But, if it be an extreme case, from two and a half to six per cent. a month are notoriously common, and that upon the best of security. And as the payment of from two and a half to six per cent. a month and confidence never go together for any considerable time, the usurer extorts from his victim only so long as he considers himself safe ; and knowing, better than the anxious borrower, that he who undertakes to maintain his business by paying such interest must inevitably soon break, he turns him by for other fresh victims.

Many millions of dollars have, within the past six years, been loaned in Wall-street at from two and a half to six per cent. a month ; and it needs but a brief calculation to show how certainly the payment of these rates will ruin any man, how rich soever he may be.

Take six months' paper, and pay the interest (as usually required) in advance. With \$1000 in money the usurer will buy a note for \$1428 56 at six months, i. e., five per cent. a month off the face. At the maturity of the first note, with the proceeds, \$1428 56, the usurer will buy another note for \$2040 80 ; at the maturity of which note, that is, in one year, the usurer has doubled his money, and received \$40 80 in addition. Now, suppose we reject this small sum, and assume that the money only doubles in one year.

The \$1000 is doubled in one year, amounting to \$2000 ; which at the end of two years is doubled, and amounts to \$4000 ; at the end of three years, \$8000 ; four years, \$16,000 ; five years, \$32,000 ; six years, \$64,000 ; seven years, \$128,000 ; eight years, \$256,000 ; nine years, \$512,000 ; ten years, \$1,024,000 ; and by the same rate it will amount, in ten years more (i. e., 20 years), to \$1,048,576,000 ; and again, in ten years more (i. e., thirty years), to \$1,073,741,824,000 ; more than ten hundred and

seventy-three thousand millions of dollars, which is more than ten times the value of the whole property, real and personal, in the United States. By the same rate of interest, taken in advance as before, ONE CENT will in fifty years purchase the property of *the whole world*.*

Now, the above is calculated upon the supposition that the usurer retains each note he receives until its maturity. But, in truth, the usurers are the parties who receive the largest discounts at our banks, so that in almost all cases he obtains the money from the banks at lawful interest for the same notes he has purchased on or about the day he makes the purchase, and is ready with the proceeds to buy another note the next day. If the profits are increased by this additional advantage, the amount, by calculation, would be one hundred and fifty times the sum above stated.

If these facts are so, and I challenge the denial, is it strange that our merchants, mechanics, and men of enterprise are broken up? Is it surprising that property of every description is depreciated, that great pecuniary distress has prevailed? On the contrary, when the power of banks and moneyed

* Any person disposed to make the calculation will discover that the one cent will in fifty years amount to \$11,258,999,068,426; and if all the fractions be included in the calculation, the amount will be much greater.

men to produce a state of things that will drive men of business to the usurers for loans is considered, is it not rather wonderful that our distress is not greater?

Farther, the devices under which these exorbitant rates of interest are exacted oftentimes conceal the iniquity of the transaction; and so ingenious are the greedy plunderers of the earnings of honest industry, that they sometimes publicly profess to come forward to relieve the wants of the public, and claim, and really appear, to be public benefactors. Thus, in 1836, 7, some prominent capitalists, for the purpose, as was said, of "relieving the money market," offered very largely to sell bills of exchange on England, and take the merchants' notes at sixty days (interest deducted) in payment. Such sales were made to an immense amount, as we all well recollect. But how was this managed by these pretended benefactors, usurers in disguise? They charged and took from twelve to sixteen per cent. premium for their bills, when the same and other bills were sold at *eight* per cent. for *cash* by those whose necessities forced them to resort to such means to raise money. The notes were discounted in bank for the same parties at legal interest, and often without endorsement.

Now, the usurer sells me to-day a bill on London

at sixty days for sixteen per cent. premium for my note with lawful interest. He buys the same bill to-morrow at eight per cent. for cash, or another bill for the same amount : he has made eight per cent. clear profit. If he gets my note discounted, he repeats the operation the next day ; and thus the usurer accumulates his unhallowed gains, and the business man, under cover of a transaction in exchange "for the relief of the merchants," is plundered of the premium, which his present necessities force him to yield to extortion.

Money is said to be the measure value. This is no doubt plausible in theory, but, under our present system, the experience of every man proves it to be practically false. For illustration, take an example. In 1834 a store in Pearl-street rents for \$1800 per annum, and taxes and insurance ; money can be borrowed at 6 per cent. per annum. What is the true value of the store ? When measured by the above standard, clearly it is worth \$30,000. In 1839 money commands 3 per cent. a month, and the store rents for the same sum as before. What is now the value of the store by the same standard ? As clearly only \$5000 ! because \$5000 in one year will at interest produce the same income.

Now, does this not show most conclusively that money is in no sense the measure of value, unless

the value of *its use*, i. e., the interest, is fixed and permanent.

The government which, by making money, and money only, a legal tender, has made it the representative of property, is therefore as much bound to fix unalterably the rate or value of its use as to fix the length of the yard-stick or the superficial area of an acre.

And so long as, by evasion of law, by tricks or devices of the ingenious, by cover or pretence, the rate of interest may be varied, so long will the value of property of every description be raised or depressed at the pleasure of those who can profit by the fluctuation.

He who debases our coins is punished as a felon; and should I be compelled to receive what is due to me in coin half gold and half base metal, I am robbed of one half of my just rights. I am no less robbed of my rights when, by doubling the rate of interest, I am forced to sell my house to pay my debts at one half what it would have brought.

The forger, too, is sent to the penitentiary. Why? Is it because he has injured any one by his forgery? No. He may not have succeeded in profiting at all by his forgery; and if he has, he may be able and be compelled to repair the loss he has occasioned. It is because the community

are wronged; the public are unsafe if he go unpunished. But I state, without fear of contradiction, that the amount of loss sustained by the business men in the city of New-York within the last four years by usurious exaction is greater than the amount of all the forgeries committed in the whole United States since this Continent was discovered. But, again, one is said to be a voluntary loss. Be it so, it is a public injury still. And he who will take advantage of general or individual distress to extort from the necessitous, is little better than he who takes advantage of superior strength to rob on the highway.

II. That usury is the real cause of our pecuniary embarrassments, will appear more obvious when I show you that our banking institutions are the instruments in producing this result.

A large proportion of those who have the actual management of the banks are lenders upon usury. I would not assert that the officers of all the banks in the city of New-York are at this moment usurers. But I do say that the present or former officers of most of the banks in this city are or have been usurers themselves, or have had those under their patronage who were. But whether the officers themselves, directly or indirectly, participate in the profits of usurious lending, is not material to

my purpose to inquire ; it is enough that the loans and discounts which they make are in fact, in every period of commercial distress, employed for that purpose.

The experience of nearly every business man in the City of New-York proves the truth of what I allege. When the money capitalists are lying by watching the times, and waiting for opportunity to lend upon usury, the discounts to regular dealers are made so far as the securities offered are good, at lawful interest, and the business community feel no want of money ; and oftentimes the banks themselves, so far from reluctantly discounting to meet the exigencies of business, seek out borrowers, and invite the offer of good paper for discount. But presently their deposits are drawn out by the usurers, the banks begin to curtail their discounts, refuse to re-new paper discounted, and the merchants are driven to usurers for their necessary accommodations ; and this, too, while their business is conducted upon the same safe and prudent system, and the securities they offer are not a whit the less worthy of confidence. But this is not the worst stage in the proceeding. The usurers now become competitors for discounts at the banks. Hitherto they have offered nothing themselves for discount ; have not wanted it ; but have kept "good accounts," by which the

banks mean large deposits. Now they have created the opportunity to shave notes, and they begin to want discounts. They have good paper to offer, and they must have the preference. The banks recognise the claim, because "they have kept good accounts." And now more of the paper of regular dealers is rejected to enable the banks to accommodate this new demand, and, of course, more merchants are driven to borrow upon usury. With the very paper purchased at 10 or 12 per cent. per annum discount, the usurer obtains farther and farther discounts, and by so much he increases the demand for loans upon usury.

To enjoy to the full extent this influence and accommodation at the bank, he makes an implied agreement with the banks to give them a portion of these profits, not, indeed, by direct participation in the usurious gain, but thus :

One of them wants say \$50,000. He "keeps a good account," out of which the bank has the profit of discounting. He must have the money, and he gets it. The paper of ten or twelve regular dealers is thrown out in consequence. The merchants go into Wall-street to the same man or his agents, and are told that money is scarce, that the banks are curtailing ; and if the securities are undoubted they get shaved as a matter of special favour at 1 or 2

per cent. a month. Some alarm is felt, and all the moneyed men begin to operate in the same way. To ensure the instrumentality of the banks, they enter into a private understanding with the officers. They must have the former discounts repeated. For example, take the usurer who had the \$50,000. He tells the president he must have the same amount he had before ; that he only wants to draw to-day \$10,000, in a few days \$10,000 more, and soon after \$10,000 more ; and that the balance, \$20,000, may remain to his credit until the maturity of the paper discounted.

This, of course, again comes in conflict with the interest of the merchant. His paper is thrown out, and he is driven to the same resort as before, and this time a heavier "shave" is exacted.

If he inquire at the bank why his paper is thrown out, he is told that the offerings are very large and money scarce ; that his balance is small ; that many of their customers have kept good accounts for a long time, and seldom asked for a discount, and they must divide it. They do divide it by giving nearly all that is wanted to those who only want the money for the purpose of shaving those whose offerings are rejected, and often by discounting for the usurer the very paper purchased at one or two per cent. a month discount, after the previous re-

jection, because it is now offered by one who "keeps a good account." Why do the banks deal thus with the merchants? Because it is for their interest; because the "note shaver" will allow one third or one half the amount to remain with them on deposit, and thus enable them, by repeating the same operation with others (discounting on their deposits), indirectly but actually, to realize, instead of six, twelve per cent. on their loans. I hesitate not to say that this is the common practice, and I appeal to the merchants in the city of New-York to say whether, in times of apparent scarcity of money, when brokers and "note shavers" are their competitors for discounts, they can procure accommodations in bank. The answer, I am certain, will be, No, unless through the influence of personal favour or friendship with bank officers; or unless, by suffering a large portion of the proceeds to remain undrawn, we indirectly pay the banks one per cent. a month for the loan. Hence it is that deposits in banks are never so large as at the very time that money commands two or three per cent. a month. Again, suppose money becomes easy; the demand is adapted to the supply, for, after a time, as no money leaves the country, this will certainly ensue, and the usurer can no longer obtain more than the fair value of the use of his money. The

money-lenders no longer asking for discounts, the banks seek out borrowers among business men ; money is now said to be plenty ; the operations of business men again become conformed to the existing state of the market, and all goes on prosperously. But now the money-lenders predict approaching scarcity of money, and begin to draw their deposits from bank ; perhaps even draw a few hundred thousand dollars in specie, which creates some little alarm ; the banks begin to call in their loans on stocks, and stocks fall in the market. They curtail their discounts, and an unusual demand for money, and a depreciation in the means of procuring it, ensue, and again the usurer begins to exact his own treble compensation for the temporary loss of interest he chose to submit to ; and now, again, he becomes a competitor at bank for discounts, and, by the same means as before, a usurious system of plunder worse than robbery is begun and maintained, to the utter destruction of hundreds otherwise prosperous men. The predictions of the usurers have been verified. Money is, indeed, exceedingly scarce, and is worth (upon the usurers' rule of value "what it will bring") what it will destroy any class of business men to pay. Do you doubt the facts I state ? I not only allege their truth, but I assert that this is not all. As if it were

not enough to make the banks in this manner the instruments of this most abominable system of plunder, the history of the City of New-York shows that, during the periods of the greatest commercial embarrassments we have experienced in the last ten years, the brokers, principals or agents in this most nefarious traffic in money, have, besides their enormous discounts, held loans amounting to from \$50,000 to \$200,000 each, and some of them, to the end that no good opportunity to shave a note might be lost for want of means, have had the privilege in bank of overdrawing their account on any day to the amount of \$50,000. And I recollect of one instance of a personal friend of my own, who, being himself a director in bank, was compelled to submit to a heavy shave on a note for five thousand dollars, and learned, at the next meeting of the board, that the money which he received from the usurer at two and three quarters per cent. a month, was part of the proceeds of the same paper discounted by the president of the bank for the usurer on the same day.

The immediate consequences of this are a depreciation of stocks, real and personal property of all kinds; and those whose exigencies require money must either throw their property into market and submit to a heavy loss in that way, or choose, what

I deem the greater evil, the payment of usurious interest.

I well recollect that in the year 1839, and at other times during the past four years, the paper of one of the first mercantile houses in this city (whose names it is not necessary to give), of large wealth and still in high standing, sold in Wall-street at from three to even as high as eight per cent. a month discount; and at the same time such paper was readily discounted at our banks for any who, either through official influence or by admitting the banks to an indirect participation in the usurious profits, could obtain bank accommodation. Now, it is well known that the directors in some of our banks have, under our laws, a right to receive discounts to the amount of one third of the capital. For example, in the Bank of America the proportion which each director would be entitled to receive would thus be about \$50,000. Suppose, then, the president or other director of that institution buys *first* a note of such a house as I have named (suppose John Haggerty and Sons, or Adey, Timpson, and Co.), having ninety days to run, for \$3000. He receives as discount, at the lowest of the above rates, three per cent. a month, nine per cent., or \$270. He procures a discount of the same note in his bank, and pays therefor \$52 50; he has made a nett profit of

\$217 50. He then repeats the operation, and continues to do so until his discount line is full, and maintains the same during the year. His nett profits at the end of the year are more than \$19,000, after paying the bank lawful interest for every dollar used in the transaction, and without furnishing a dollar from his own resources. I do not intend to say that they have done this, but I do say the temptation was strong ; and I find nothing in our institutions, as now conducted, to prevent presidents and directors doing so when money can be made to bring such rates of interest out of bank. And if this be so, the more money presidents and directors use for such purposes, the more business paper is rejected at their meetings for discount, and the more business men are driven to the usurers, and, of consequence, the higher rate of discount will be exacted, and, last, the greater their usurious profit. And I may be allowed to suggest that, although bank presidents and bank directors do not themselves directly engage in such transactions, the effect would be the same if they should give their favourite Wall-street friends the same facilities, whether they participate in the ill-gotten gains or not. If I am again told the risk is great, and that justifies the extortion, I answer that I know there are individuals in this community who have purchased in one year

more than \$300,000 in notes at or about such rates of discount, and every note purchased was paid at maturity.

A simple illustration will show the effect of lending and borrowing upon usury, as compared with traffic in the necessities of life.

If a bank lends \$1000 dollars to the broker for thirty days at six per cent. interest, the transaction is a sale to him of the *use of \$1000 for thirty days* for five dollars. The favourite broker or money-lender lends the money at two and a half per cent. a month to the man of business; he sells the *use of the same \$1000 for the thirty days* for \$25, i. e., what cost him five dollars for \$25, or five times as much as it cost him. And if he lends at six per cent. a month he receives \$60, i. e., he sells the use of the money for twelve times what he paid the bank for it.

Now, suppose flour merchants, licensed by the government, holding the same exclusive privileges and the like monopoly and control over *flour* that the banks have over money, and restricted to sales at six dollars a barrel, as the banks are to six or seven per cent. interest; and suppose they should sell to their favourites only (that is, to such as "kept good accounts," and thus gave them an indirect profit which the law forbids them to take directly)

at six dollars a barrel, to the end that these favourites might sell the flour to their needy neighbours for five or twelve times that sum (30 or 72 dollars) a barrel, would it be endured? The community would sooner pull down their warehouses and plunder their stores. And yet this is the same thing that is done with money between our banks and the usurers every day.

But, to make the illustration still more exactly parallel, and show the hardship in its truest likeness, you must suppose farther that the needy purchasers have (in seasons of plenty, when the flour merchants are, like the usurers, waiting for opportunity to produce a pressure) become indebted to the flour merchants for flour to be paid in kind. And now they can no longer buy at six dollars a barrel; the brokers' favourites alone can do that. Their credit is at stake; their securities are about to be sacrificed; they have no alternative; they are driven to these favourites, and compelled to pay 30, 50, or even 72 dollars a barrel, with which to pay their debts. Would a community submit to this? Would they suffer such a monopoly to continue? Not for a day. And yet in money they are suffering from the same unjust oppression, and are quietly told that "money is but

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merchandise, and the use of it is worth what it will bring."

The reason this oppression is so little known, or, rather, so little noticed, is that these operations are secret; they are made under circumstances rendering secrecy of great moment to both parties; important to the borrower, for otherwise his credit would be ruined; important to the lender, because his "deeds are evil," and law, justice, and the opinion of the community, and especially his hope of repeating the same operation, forbid that he should make his transactions known; and the effects, therefore, alone are seen. Stocks, securities, and property of every description depreciate, and the cause is only perceived by the victims of usurious exaction; and they are too often compelled to suffer and be still, and often, no doubt, are themselves ignorant of the real reason why they cannot procure money as they had been accustomed to do. And I do not hesitate to assert that our merchants and other business men have lost more money by direct usury, and by usury charged under cover of exchange or other device, than they would have lost if they had paid \$500 per barrel for flour for themselves and families, and in like proportion for all the necessities of life; and this in addition

to the depreciation of their assets which such a state of things has produced.

Should a company of capitalists monopolize all the cotton in the country, or buy up all the flour in our various markets, and hold on for exorbitant prices, the community could be made to suffer comparatively little; as the year came around cotton and wheat would grow again. The people could, in the mean time, eat rye, and corn, and potatoes, and wear woollens and old clothes; the temporary evil would soon cure itself; the monopolists would be forced to sell, or lose all their investment; or production would in a little time destroy the monopoly, and we should have cotton and flour in spite of them. But not so with the evil produced by a monopoly of money. This will not cure itself in one nor five years; and if it does temporarily, as is sometimes said, "find its level," the equilibrium is soon destroyed by the usurers themselves. We have in this country already suffered seven long years (as long as the famine in Egypt), and our embarrassments still continue; and without some more powerful controlling influence than is now in operation, it will continue for years to come. Fluctuation, and its constant evils, would never cease. Plenty would succeed scarcity, and scarcity succeed plenty, to enrich those who profit by the embarrassments

of others, and to the prostration of all regular business. The cotton and flour monopolists cannot conceal their movements, and the indignation of the public would visit them if their projects were carried to the extreme of oppression ; but the usurers can put their millions in their pockets, and no one shall know it except by the usury they exact as the premium for their loans.

Suppose Mr. Astor, of the City of New-York, should on the first of May in any year, without giving previous notice to his tenants, raise the rent on his 500 or 1000 houses twenty-five per cent. ; and these houses are together worth \$5,000,000. Many would leave the houses ; some might be so situated as to be compelled to stay ; and should he insist that the additional rent should be paid or the houses closed—he has a right to do this—his means are so great that he could do it without inconvenience to himself—the damage to the community would not be very great ; at most it would be of very brief continuance. Other houses could and would be built. He might, and no doubt would, be loudly censured as an extortioner ; and yet in this advance of his rents he has only added one and a half per cent. per annum to the interest or use of his capital invested.

Now, suppose the same individual has the same

amount of capital in money on deposit in bank, or even one half that sum, say \$2,500,000, and on a Friday should draw it in bank notes and carry them home. On Saturday the banks, finding their circulation increased to that extent, would discount little or nothing. On Monday he might privately employ the usurers' convenient friend, the broker, and draw \$2,500,000 in specie, under pretence that it was wanted for shipment. Could the banks with safety discount anything? One half of all their specie is gone; their deposits are reduced; they are alarmed; merchants are driven to the usurers, and the interest or use of money is worth two and a half, and perhaps even five per cent. a month. Should such an individual engage in this scheme, his usurious profit, at five per cent. a month, would be in his own pocket equivalent to raising the rent of his houses (heretofore paying six per cent. per annum) from \$400 per annum to \$4000 per annum; and his usurious profit, even at two per cent. a month, would be equivalent to raising his rents from \$400 to \$1600 per annum, and in that ratio for higher rents; and the effect would not stop here. Every usurer in the city would take the same opportunity, and the embarrassment be continued, and from time to time repeated almost without limit. The result is as obvious as the means are easy.

Nearly all those who do business upon credit must break. Should a large house-owner thus raise his rents, he would be called an extortioner. Should a capitalist thus secure a large profit on his money, he is called a "financier."

III. I have stated, and endeavoured to prove by an appeal to facts and the observation and experience of the business men of this country, that our banking institutions are instruments, in the hands of money-lenders, in producing the fluctuations of plenty and scarcity of money, and in exacting and compelling the payment of exorbitant usurious interest, and are thus indirectly but truly guilty of the very evils they are created to remedy.

But the half has not been said. Our banking institutions, from Maine to Florida, are active co-operators in the work of plunder. I do not use such expressions without meaning what I say. I repeat, they are, and have been for years, actively engaged in plundering the industrious, laborious, enterprising portion of the community. Under cover of exchange, lending uncurrent money, discounting foreign paper, and by other devices, the lending of money upon usury has been almost their only business.

I have already shown that, by discounting only for those who "keep good accounts" (i. e., those who

suffer the proceeds of bills discounted to remain in bank, to be used as a means of a second discount), they realize nearly or quite double the lawful rate of interest. And I will now prove that they exact usury by charging it under cover of exchange.

By purchase and payment of uncurrent money.

By requiring notes discounted to be made payable at a distance.

And by purchasing their own obligations at depreciated prices.

In the winter of 1839, 40, a large proportion of the bills of the Safety-fund country banks of the State of New-York were at a discount of from three to five per cent. in this city, and the bills of the free banks at a discount of from five to six per cent. ; and yet all these banks were paying specie.

This proves one important fact at least, viz., that the banks, as at present organized and conducted, cannot and will not regulate exchange, unless specie-paying banks are compelled to receive the notes of other specie-paying banks in the same state or vicinity at par. It is said that, at the period I mention, the balance of trade was against the country, and caused this result. On the contrary, I assert that this state of things promoted the interest of the banks, while it injured the public, and was encour-

aged and kept up by the banks themselves ; and that the balance of trade had nothing to do with it whatever otherwise than by placing it in the power of the banks to continue that state of things, and thus secure excessive profits, in form as exchange, but in fact as a usurious premium upon their loans. And thus adequate causes will be found, independent of the balance of trade, to produce the result by creating an *apparent* balance of trade *against*, when the real balance is *in favour* of, the country. The error consists in assuming that because exchanges are against the country, *therefore* the *balance of trade* is against it, which by no means follows.

Suppose, for instance, the citizens of Rochester should purchase from the City of New-York \$150,000 worth of goods ; they require that amount of exchange on New-York to pay for them when due. In the same period the millers of that city forward to the City of New-York \$200,000 worth of flour. The balance of trade is clearly in favour of Rochester, and exchange on New-York should be below par. What is the fact in practice ? The banks in Rochester and its vicinity are the great money-lenders. The grain from which this flour is manufactured is purchased chiefly on credit ; the millers' drafts against the flour sent to New-York

are discounted by these banks, and their bills sent out to pay for grain, &c.

Who now hold and control the exchange? The banks have to their credit in the city of New-York the whole proceeds of the \$200,000 worth of flour; and with this their agents here are buying up their bills at from five to six per cent. discount.

Whoever wishes to remit from Rochester to New-York to make payments for merchandise must buy of the banks and pay the like exchange, or bring their bills here to be sold to their agents at the same loss.

Will not the banks exact all the profit by way of exchange that they can? Have they not done so for years past, whatever the amount to their credit might be? The experience of every Western merchant, and of all who have had funds to remit, answer Yes. And by charging all they dare for exchange, and by buying up their own notes here at five or six per cent. discount, *instead of redeeming the bills which they lent with the money they received in payment of the loan*, they secure an exorbitant usurious profit on nearly every discount they make. Suppose we estimate this profit on a discount of a draft on New-York at sixty days for \$1000. The discount for the period is \$10. First, then, they pay out \$990, and receive \$10 for the

use of the money ; next they purchase their own bills in New-York to the amount of \$990 at five per cent. discount, and gain thereby \$49 50, thus receiving in sixty days, by the employment of only \$990 of their own bills, a profit of \$59 50, or more than three per cent. a month.

If this be possible, will these banks assist in regulating exchanges ? On the contrary, they do all they can to foster the inequality ; and what chance has a merchant in Rochester of procuring a discount at bank unless he will pay three per cent. a month by making his note payable in the city of New-York ?

I appeal with confidence to all the citizens of the interior for the truth of the facts I state. And I then ask, ought we to be surprised at the large dividends made by these banks even when their discount line and circulation are much reduced ? On the contrary, the greater the pressure, the larger the profits ; and the smaller means and lesser hazard produce the same or even larger dividends.

The banks not only were in 1838, 9, and 40, but are now, as a general rule, pursuing this course throughout this and most of the other states. Money, with them, "*is scarce,*" *unless the notes offered for discount are payable at some place where they can buy their own bills at a large discount, and thus make*

more than legal interest on the desired loan. Since the Legislature of the State of New-York has required the banks to redeem their bills in Albany, the banks in this state are not able to increase their profits to so large an amount. Compelled to redeem their bills at a point so near the City of New-York, the great centre of our trade, their bills sell at a discount not exceeding three quarters of one per cent., instead of five per cent. as before ; consequently, their profits upon discounting paper payable in New-York, and here purchasing their own bills with the funds paid here, are only ten and a half per cent. per annum, but still exceed the fair value of the use of money, and still sufficient to ensure the rejection of any discount that does not afford to them an illegal profit.

Why, then, you will ask, do not those who have to make remittances draw the specie, and why did they not do so when the banks were charging five and six per cent. ? Plainly because, from the moment they did this, all their accommodations at bank would be stopped ; and if they owed the bank, they would be required to pay at once.

The banks in Connecticut, New-Jersey, and most of the other states are conducted in a similar manner. They require notes payable at some point where they can realize a profit in the exchange ;

and, in addition to this, many of them pay out as the proceeds of the discount depreciated bills of other banks, bought up by them for that purpose, or received from their debtors at from one to five per cent. below par.

So long as this depreciated paper passes current for the purposes of ordinary business, this transaction has the semblance of fairness, when, in truth, the banks are by this means exacting and securing a profit of from one to three per cent. a month on the sum loaned.

When customers ask for discounts the officers say, "We are short. Our funds are locked up in uncurrent money. *We should be very glad to accommodate you.* Such funds as we have we are willing to loan, if they will answer your purpose." Having given them notes payable at the place designated (say New-York), the applicant receives the proceeds, and is told, and perhaps made to believe, that he has been treated with especial favour; while the cashier doubtless writes immediately to the agent in New-York to purchase and send the bank more uncurrent bills.

The bills of the banks in Florida have been for two years past at a discount in the City of New-York of more than 25 per cent. An expedient ex-

tensively used by them to make a profit of this 25 per cent. in addition to legal interest is to advance to the planters upon their cotton pledged as security for a good note discounted. The banks ship the cotton to New-York, and there, through their agents, receive its value in New-York funds, with which to buy up their own bills and certificates of deposit. Upon being advised of the sales of cotton, the bank settles with the planter, charging him lawful interest and all expenses and commissions, and paying him (if anything remain due) in bills of the bank, purchased, it may be, at 25 per cent. discount with the proceeds of his own cotton. By such transactions the banks are enabled to buy up their own bills, certificates of deposit, and other obligations, and make in a few months at least 25 per cent. more than lawful interest. The planter submits to become the instrument of these unjust gains because his necessities require the advance in anticipation of the sales of his cotton. The bills which he receives from necessity pass current as money, and he has no known credit elsewhere upon which to borrow the required amount.

By the same or similar expedients the banks in this country, not only at the South, but throughout the states, are receiving to themselves usurious interest under cover of exchange or other device.

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A gentleman of my acquaintance having occasion to make a remittance from Georgia to New-York, called upon one of the banks in that state for a bill of exchange. He was told that the bank was "not drawing," but would give a *certificate of deposite*. After a great show of reluctance, the bank consented to give a bill at seven per cent. premium. My friend, knowing that if a certificate of deposite were sent it must be sold in New-York at the same or a greater discount, consented to pay the premium and receive the bill. After the arrangement was concluded, he learned from one of the officers that the bank at that moment had in New-York about \$600,000 in money and paper, running to maturity there (a sum greater than the whole capital of the bank), with which to purchase their own depreciated bills and certificates of deposite, or to draw against at this exorbitant premium, as might be most convenient. One of the best merchants in the vicinity of the bank desired a discount of \$3000. The only mode in which he could procure the accommodation (although the security offered was undoubted) was by giving a draft on New-York, payable in sixty days, and receiving therefor the bills of the Georgia banks at par.

By this operation the bank made a profit of four per cent. a month on the amount loaned ; at the

same time, the *certificates of deposit of the same bank* were selling in New-York at twelve and a half per cent. discount. By purchasing these out of their abundant funds here, the bank realized a profit of at least six and three quarters per cent. a month on the transaction.

When the banks are not paying specie at home there is scarcely a limit to this species of *lawful* swindling; and even when they pay specie the exaction is far beyond what honesty or fair dealing would permit. And yet these are the institutions organized, chartered, and endowed with valuable exclusive privileges *for the public good*.

Another mode of accomplishing the same end, during the long-continued derangement of our currency, is by undertaking to collect for the merchant and others without any *direct* charge for their trouble. And when the collection is made, how is it remitted? First, the bank retains the funds from one to three months, and thus makes one or two operations by way of loan to others of the same money; and at last remits by draft at an exorbitant premium, or by certificate of deposit payable at home, which the merchant must sell at a ruinous discount. Even in the State of New-York this has become very general. At the time I have above referred to, the banks in Georgia had more

money in New-York than they could possibly have sold within a reasonable time, even if they had offered bills of exchange at par ; but they knew full well (what the public seem generally not to know) that almost as much exchange is wanted, and will be purchased, at seven per cent. premium as at par, and they may therefore as well insist upon the profit. I mention these things to show, as I think they do show, that the banks in this country, under our present system, can and do constantly exact and receive for the loans and accommodations they give, exorbitant usurious gains for the use of their money ; and the only motive at all influential with them is to increase their own dividends to the utmost possible extent, without any regard to the interest of the community for whose pretended benefit they were chartered. If this system is permitted to continue, strip them, I say, of the garb of hypocrisy ; let applications for bank charters have at least the appearance of truth. Let them read, "If your honourable bodies will grant to your petitioners the privilege of banking, we can loan to our fellow-citizens two and one half times the amount of money we actually possess ; and by requiring notes payable in New-York or other important city, can, under the name of exchange, or by buying up our own bills, or by frequent expansions and curtailments,

or by advances on produce, or by numerous other expedients which your petitioners already know or can soon learn, make more money than in any other way. And your petitioners will ever pray, &c."

Such a petition would disclose the real object, or, at all events, the true principle upon which our banking institutions are conducted; and with such motives, and with the power which they possess, they are at this moment, and for many years have been, active agents in producing the derangement of our currency.

Before proceeding to suggest the only practicable remedy for the evils upon which I have commented, allow me to refer to some general facts which are drawn from official statements, and which prove, beyond the power of the banks to deny, that our banks have been usurers during our most severe embarrassments, and that, without the control of some superior power, they will continue to gather these iniquitous spoils, their extortion being in direct proportion to the necessity and distress of the community, whom they ought to relieve.

I might turn the attention of our own citizens to the magnificent edifices, granite palaces, rivalling the temples of the East, rising in their splendour among ruined merchants, mechanics, and men of industry and enterprise, only to mock their fallen

hopes and darkened prospects ; and point, at the same time, to enormous dividends paid over to their stockholders, the spoils of oppression, during the years of our severest trials. And if I should go behind the scenes, I should tell you how president and directors rejoice together over their six months' earnings ; how they can call in the broker who has large accommodations and " keeps a good account," and can out of his three per cent. a month afford to aid the bank in swelling these profits under the disguise of exchange or commissions, or discounting notes with uncurrent money, and he and they sympathize and rejoice together ; and how, when the dividends are declared, the stockholders are delighted, commend the wisdom of their officers, and enlarge their salaries ; and all together, presidents, cashiers, directors, usurers and stockholders, rejoice over their growing fortunes, while the deluded victim of extortion is groaning in vain repentance over the folly which the hope of better times has led on step by step to sacrifice the labour of his hands, the fruit of his toils, till all has gone, irrecoverably gone, to feed the hunger of our rejoicing plunderers of his substance.

But I turn rather to the simple statement, and leave it to tell its own story ; and if it does not appear that in our heaviest embarrassments our banks

have made the largest profits; if they have not taken advantage of the distress of others to make usurious gains themselves, then my language has been too harsh. I have pointed already to various modes in which it is accomplished, and I now refer you to their official admission of the iniquitous result.

The published statements in the New-York Assembly Documents show that the average dividends of the Bank of America *for ten years*, from 1818 to 1828, were thus: Capital, \$2,500,000. Total amount of dividends, \$1,325,000, i. e., an exact average of $5\frac{3}{8}\%$ per cent. dividend annually, with little if any addition to their surplus.

Now, in the two years 1836 and 1837, in which more usury was paid than in any two years since we were a nation, their profits were thus: Capital, \$2,001,200. Profits, \$645,749, i. e., an average of more than $16\frac{1}{8}\%$ per cent. profits annually. More in one year of embarrassment than in three years of general prosperity.

The same published statements of the following six banks, viz., Bank of America, City Bank, Mechanics' Bank, Merchants' Bank, Bank of New-York, and Union Bank, show a result as follows: During the same ten years, from 1818 to 1828, their capital was \$9,820,000. Total amount of div-

idends, \$5,676,777 10. Average dividends, $5\frac{7}{8}\%$ per cent. per annum.

Now, in the two years 1836 and 1837 the statement runs thus : Capital, \$8,211,200. Total amount of profits, \$2,193,653, i. e., an average profit of more than $13\frac{3}{8}\%$ per cent. annually.

The same statements, rendered by fifty-nine country banks in this state, show that in the same two years, 1836 and 1837, their capital and profits were as follows, viz. : 1836, capital, \$11,620,260 ; 1837, capital, \$11,740,260. Total profits, \$2,651,431, i. e., an average profit of $11\frac{3}{8}\%$ per cent. per annum.

And now I ask, whence these exorbitant profits ? In which of those periods were these institutions conducted with a view to benefit the community ? During which of those periods was other business most prosperous ? And, if not by directly or indirectly co-operating in the work of extortion, how did these gains arise ?

Let those who have been frequenters of the secret corners of these temples dedicated to Mammon, who have received their loans in uncurrent money, Southern and Western bills of exchange, and certificates of deposit, and especially those who have "kept good accounts," answer the questions ; and I will then ask them to estimate the profits of those who have been suffered almost to monopolize the

funds of these same banks for the purpose of "shaving" their less privileged, needy neighbours without the walls.

Banks are chartered for the public good, not to enrich the stockholders by an abuse of their powers. Like every other instrument of good, they are susceptible of such perversion from the design of their institution as will produce, and has produced in this country, immense evil. It is this that has produced the present outcry against banks. It is this that has induced many to declare themselves in favour of abolishing our whole banking system. The evils they have wrought have been so apparent that their present enemies have nearly forgotten the good they might accomplish if properly regulated and controlled.

So long as the banks are suffered to increase their dividends without limit or restriction, so long that will be the end and purpose of their management, and so long will the public interest, public convenience, and the design of their institution be sacrificed.

The great source of their power is the privilege they have in substance of coining money. Individuals having \$500,000 in money can only loan that sum. If they can associate themselves and obtain a charter, they may, under the laws of the State of New-York, lend in the form of circulating notes

\$1,250,000 upon the same capital (\$500,000). Substantially, they have received the privilege (denied to individuals) of coining \$750,000. Such a privilege undoubtedly carries with it great power for good or for evil, controlling not only the business operations of the present moment, but raising and depressing, from time to time, the whole property in the country, of which property the money is the measure and representative. It is therefore but just that such restrictions (by way of limitation of dividends, compelling the redemption of their notes, and other provisions) should be imposed as would compel these institutions to look to the public interest, by rendering that interest identical, or as nearly so as possible, with their own.

And it may not be unimportant to notice the power of *all* our banking institutions at any time to extend their accommodations, and, by curtailing at pleasure, to produce all the evils of which I have spoken, not for the purpose of condemning our banking system, not to prove them dangerous to the public, but to insist most strenuously on restrictions that shall on the one hand, as far as practicable, deprive them of the power, and on the other take away the temptation, to abuse the power they have.

The total failure of the state banks to regulate the exchanges in this country for several years past,

whether it arises from their want of ability or their invariable disposition to make the greater profit by continuing and fostering the irregularity, proves, at all events, the necessity of some superior moneyed power, such as the United States Bank once exercised. And the experience of the same period proves the falsity of the suggestion, often made, that the exchanges will regulate themselves.

Only a few months since our exchanges were nearly equalized. In the month of January the Southern exchanges varied but two or three per cent. from par. Since that time the Southern States have been sending their produce forward in large quantities, and yet, since that period, exchanges from the South upon New-York have risen to six, twelve, and from some points to seventeen per cent. If the produce regulated the exchanges, one would conclude that produce had been rapidly shipped the other way, which those acquainted with the times of remittance, payment, and purchase of goods in New-York know to be far otherwise.

A very great fault in our system, and one which cannot, by means of local institutions, be remedied, is that our bank notes, although issued by specie-paying banks, do not carry their value with them. They represent the amount for which they were issued at the place of issue only. If the bank bill

issued in Georgia was worth its nominal value in New-York, and, vice versa, the bank bill issued in New-York would command its nominal value in Georgia, we should suffer no embarrassments from derangement of our domestic exchanges ; and closely allied as the states of this Union now are, not merely by conventional bonds, but by interest, by intercourse, and by constant mutual interchange in trade and business of every description, our bank-note currency ought to be, and may well be, of this description. But local state institutions cannot if they would, and would not if they could, accomplish this.

Trade necessarily concentrates in our large cities in each of the states. If, then, the bank notes of the banks in the interior of the State of New-York were worth their nominal value, or par, in the City of New-York, they would be worth par in every part of the state. So in Pennsylvania, if their country bank bills were at par in Philadelphia ; and so in the other states, if their bank notes were all at par in their principal cities. And so it might be, and ought to be, with notes issued in any part of the United States, if carried to any other part of the United States. A national institution once effected this ; it may do so again. The bills of the old United States Bank were at times even at a

premium in exchange for specie, and for the simple reason that they bore their value with them wherever they were found.

IV. In conclusion, How shall the evils of which I have spoken be remedied ? I answer, By putting an end to the taking of usury.

Either the energy and enterprise by which the wealth and resources of the country are developed must be cramped and repressed by the abandonment of all credit, and a narrow, inconvenient, and unprofitable cash system be substituted, or the taking of usury must be prevented.

A safe, sound, and uniform system of credits *cannot exist* unless the rate or price of the use of money is rendered permanent beyond the power of money-lenders to vary.

Can this be accomplished ? The history of this country furnishes the answer. Legislation has proved wholly ineffectual. Make the usurious contracts void, attach penalties to the unlawful taking, and secrecy, subterfuge, and cunning will make void the law and evade the penalties.

Public opinion has not hitherto proved equal to the evil. The usurers are busy in corrupting public sentiment, and concealing the iniquity by which they live ; and high places in our state, sacred offices in our churches, are filled by many whose

vaunted Christian charities are the fruits of usurious extortion.

Can it, then, be accomplished ? Never while the temptation and the opportunity exist. Just men may be wise in devising, but craft and cunning will be wiser in evading and counteracting any remedy they may propose.

But take away the temptation or the opportunity, and the evil ceases. And this leads me again to the history of our country. When our late United States Bank was in full operation usury was *comparatively* but little known ; and if that United States Bank had been under suitable restrictions, it would have ceased entirely.

And I come, therefore, to say, create a National Bank with a capital of fifty millions of dollars, with branches in every state in the Union, with its dividends limited to five or six per cent., its bills at par in every branch in every state ; without the privilege of charging a premium for domestic exchange, and compelled to charge all borrowers the same interest, and compelled, whenever surplus profits amount to five per cent. on the capital, to reduce its rates of interest, and from time to time so reduce and change its rate of interest that it shall never keep a surplus exceeding five per cent.

1st. Such an institution would be able to loan so

freely whenever good security was offered, that no other money-lenders could obtain a higher rate of interest than she required.

2d. Its means would be entirely sufficient to hold the exchanges in equilibrium, and, with the branches in every state, could and would furnish all the domestic exchanges necessary for the business of the country.

3d. Its bills being at par in every state, would be always convenient for remittance, and it would be impossible for exchange brokers or other banks to exact more than a very trifling premium for exchange.

4th. If compelled to keep its own bills at par, it might compel all the solvent banks in any state to make their bills par in the branch or branches within that state.

5th. Not being allowed either to divide *profits* beyond five or six per cent. per annum, or to accumulate a large surplus, there could be no temptation to expansion and curtailment, but a constant interest to preserve an even, uniform system of credits and exchanges throughout the country for the better convenience and safe management of its various branches.

6th. The rates of interest would be lowered so as to correspond with the value of the use of money

in the various departments of business in which it is employed ; and if, by the possession of the government deposits and the funds of individuals, the profits of the bank should be increased, the rate of interest would be made still lower, and thus greatly promote every other interest in the country.

7th. The temptation to produce evil being entirely removed by the limitation of the profits, the power of such an institution would be always harmless.

8th. The direction of such a bank would necessarily be prudent, discreet, and for the public benefit, because there would be no inducement to improvident risks or dangerous expansions, and, therefore, the public, the billholders, and the stockholders would always be safe.

As to the mode in which the capital of such an institution should be contributed, it may not become me to dictate ; but I cannot avoid the suggestion that there can be no necessity, and I cannot perceive the advantage, of suffering the stock to go abroad, and thus pay our dividends to foreigners. We want no assistance from abroad, at all events, beyond the specie required for the purposes of the bank ; and it is true in England as here, that there is very little specie in their moneyed operations or their banking capital. It is credit, and little but credit, that forms their money. I would, then,

much prefer a distribution of the stock among the states who may choose to accept it, in proportion to their population ; and as, under the existing state of things, it would undoubtedly be necessary to raise some portion of the capital in specie abroad, let the bonds of the states so accepting, having the same period to run as limited to the charter of the bank, be issued, bearing an interest of four or four and a half per cent. per annum ; and these, negotiated and endorsed by the United States, would command any required sum at par. So many of such bonds as might be found expedient might then be sent abroad.

And now notice the result. If the semi-annual dividends of the bank were regularly made at six per cent. per annum, and the interest on the bonds, say four and a half per cent., were first paid, a balance of one and a half per cent. per annum would remain for the stockholders. In sixty-six and two thirds years the states holding the stock would receive a sum exactly sufficient to pay every dollar of their bonds, even if this balance of one and a half per cent. were laid aside without producing a penny ; and if this balance were kept at interest at five per cent. per annum, payable semi-annually, it would be sufficient to pay the whole amount of these bonds in less than thirty years.

But I content myself with making the suggestion,

There may be political objections to this mode of creating the capital of such a bank which I am not qualified to discuss, but I feel assured that, in whatever mode the capital is contributed, if it be sufficient in amount and restrictions are imposed upon its dividends, circulation, and operations in exchange substantially like those I have mentioned, the end in view will be accomplished; and the greatest of all its benefits will be the reduction of our rates of interest, the equalization and permanent uniformity of our exchanges; or, in other words, the almost entire SUPPRESSION OF USURY, HYDRA-HEADED, CORRUPTING, BLASTING USURY.

In conclusion, I take pleasure in expressing my conviction that there may be truly moral and virtuous men in this community who have been induced, by the prospect of an easy livelihood, the desire to accumulate a competence, or, perhaps, by the want of opportunity to engage in other desirable business, to participate in what I have denominated this nefarious traffic in money.

I owe them no apology. "A man is known by the company he keeps," and he must content himself if he is called by the same name. But they

have doubtless been inconsiderate, unreflecting. They have not properly considered the evils of usury, or such men could not make it their means of livelihood, still less their source of wealth. And if such men will but pause, and in the spirit of honest candour reflect that, when they receive the unlawful gain, they are living, not by relieving their neighbour's distress, but by aggravating it; not earning the profits of patient industry, but watching to grasp with eager clutch the hard-earned fruits of another's enterprise and toil; that usury, by which they seek to become rich, can enrich them only by robbing others, and those not (as is sometimes said) men who can afford to pay, but men who, if they were not already necessitous, would never become their victims; if they would consider these things they would not hesitate to abandon, yes, not only abandon, but join me in denouncing, a means of living forbidden by God and man, against which human laws have for ages declared their penalties, and which the laws of God have stamped with curses from the beginning.

I will only add that I leave with you to determine how far I have established the propositions with which I commenced. If imperfectly, it is not because the facts were wanting or the proofs inadequate; if well, more, tenfold more might be written

no less true and more conclusive, did not the impropriety of being personal, and the wish to avoid even the appearance of malice or unkindness, forbid.

If your patience has followed me thus far, receive this assurance of the high esteem of

Your friend,

WHITEHOOK.

Table exhibiting the amount of Loans and Discounts, Bank-note Circulation, and Deposites of all the Banks in the State of New-York, from first of January, 1835, to first of January, 1841. Compiled from the Assembly Documents.

	Loans and Discounts.	Bank-note Circulation.	Deposites.	Total Circulation and Deposites.
1st January, 1835	\$52,853,630	\$14,464,023	\$14,384,236	\$28,848,259
" " 1836	72,469,282	21,127,929	19,116,170	40,244,099
" " 1837	79,313,188	24,198,000	19,342,698	43,540,698
" " 1838	60,999,770	12,432,478	15,771,729	28,204,207
" " 1839	68,300,486	19,373,149	18,370,044	37,743,193
" " 1840	52,085,467	10,360,592	16,038,416	26,399,008
" " 1841	54,691,163	15,235,056	16,796,218	32,031,274
Total circulation and deposits for seven years . . .				\$237,010,738
				<u>\$33,858,676</u>

Say average circulation and deposits of each year in round numbers,
\$34,000,000.



